



150 N. Riverside Plaza, Suite 3000, Chicago, IL 60606 • (312) 819-1900

February 13, 2019

Tracey Klein
(312) 873-3613
(312) 803-2183 Direct Fax
tklein@polsinelli.com

HFSRB Members
Ms. Courtney Avery
Mr. Michael Constantino
525 West Jefferson Street, 2nd floor
Springfield, IL 62761

**Re: Quincy Medical Group Surgery Center, Project 18-042
Cooperative Venture**

Dear Members of the HFSRB, Ms. Avery, and Mr. Constantino:

We submitted a February 8, 2019 letter addressing how QMG's proposed project substantially conforms with all applicable HFSRB review criteria, including the Service Accessibility criterion. In that regard, we addressed whether a cooperative venture with Blessing Hospital would be feasible and in the best interest of patients and the community.

As noted in the letter, there have been numerous failed alignment efforts dating at least back to June 2018. While our client has advised that QMG considered a joint venture with Blessing for the proposed surgery center before filing the pending application, the alternative was not pursued further by QMG. It was QMG's impression that Blessing Hospital would not agree to a joint venture unless Blessing was the majority owner. Further, as noted in the letter, subsequent to the filing of the application, QMG and Blessing Hospital discussed a potential joint venture for the proposed surgery center at the proposed location. We were informed by our client that Blessing Hospital expressed no interest in a cooperative venture for the new surgery center at the proposed location.

On the evening of Monday, February 11, 2019, subsequent to our February 8, 2019 letter, we understand that Blessing submitted a written proposal to QMG physicians regarding a joint venture with QMG for the *existing* surgery center at 1118 Hampshire Street. **Of importance, the "non-binding expression of interest" proposal was not in relation to QMG's proposed surgery center currently pending HFSRB approval.**

While it is our understanding that QMG does not customarily share its business dealings with the public, in the interest of full transparency, QMG wanted to ensure that the HFSRB was aware of the proposal as we anticipate it could be perceived as relevant to QMG's application.

polsinelli.com

Atlanta Boston Chicago Dallas Denver Houston Kansas City Los Angeles Miami Nashville New York
Phoenix St. Louis San Francisco Seattle Silicon Valley Washington, D.C. Wilmington
Polsinelli PC, Polsinelli LLP in California

February 13, 2019

Page 2

Blessing's joint venture proposal in relation to Blessing's *existing* surgery center set forth a number of terms, including, but not limited to, the following:

- Blessing would retain the majority of equity in the surgery center - at least 60%;
- Blessing would "plan[]" to syndicate up to 40% ownership in the surgery center to "eligible" physicians who could purchase equity ownership interests for cash at fair market value and for those physicians it would "make the most sense" to be investors;
- QMG physicians with equity ownership would be required to enter into a non-compete agreement, prohibiting the physicians from owning or managing another ASTC within 30 miles of the surgery center for the duration of their ownership and three years following termination or withdrawal of their ownership, with no mention of any similar non-compete requirement for Blessing physicians; and
- If QMG was interested in the proposal, QMG would be required to immediately withdraw its CON application for the new surgery center at the proposed location.

QMG is appreciative of Blessing's proposal and remains open to continued discussions with Blessing, especially as they relate to improving care and services for the Quincy community. Further, QMG is pleased that, according to Blessing, it is in the process of designating the status of its existing surgery center from a hospital outpatient department to a freestanding ambulatory surgery center. It appears that Blessing is finally taking steps to address the exorbitant facility fees that have caused great angst for local residents and employers for years, steps that would likely not have been taken had QMG not filed its application in late October 2018. This is clear evidence of the beneficial effects of competition.

Even if Blessing proceeds with its designation change and, once obtained, begins charging lower facility fees based on ambulatory surgery center rates rather than hospital outpatient department rates, the need for a new surgery center remains. QMG has repeatedly articulated that the need for the new surgery center is not based solely on reducing costs. QMG's proposed surgery center will, among other benefits, increase patient access to various outpatient procedures, improve quality of care, increase patient choice, economically benefit the Quincy community, offer cardiac catheterization services, accommodate future projected volumes, and further the strategic mission of QMG. As such, Blessing's purported move toward reducing its high facility fees is merely one part of the equation and does not solve the issues with the existing surgery center nor eliminate the need for QMG's proposed surgery center.

Please do not hesitate to contact me with any questions. Thank you for your continued assistance.

Sincerely,


Tracey Klein